

Washington State Auditor's Office

Audit Report

Audit Services

Report No. 5749

GRAYS HARBOR COLLEGE

Agency No. 648

July 1, 1995 Through June 30, 1996

Issue Date: February 7, 1997

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GRAYS HARBOR COLLEGE
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Overview

We performed the statewide single audit of the state of Washington for the fiscal year ended June 30, 1996. In accordance with the Single Audit Act of 1984, we audited the state as an entity, rather than each agency separately. The results of this audit will be published in a statewide single audit report which includes the following:

- An opinion on the financial statements.
- A report on internal control structure-related matters based solely on an assessment of control risk made as part of the audit of the financial statements.
- A report on compliance with laws and regulations that may have a material effect on the financial statements.
- An opinion on supplementary Schedule of Federal Financial Assistance.
- A report on internal controls over federal financial assistance.
- An opinion on compliance with specific requirements applicable to major federal financial assistance programs.
- A report on compliance with general requirements applicable to federal financial assistance programs.
- A report on compliance with laws and regulations applicable to nonmajor federal financial assistance program transactions tested.
- A Schedule of Findings and Schedule of Questioned Costs.

The work performed at Grays Harbor College included procedures to satisfy the requirements of the 1996 statewide single audit and supplemental reviews and tests deemed necessary in the circumstances.

There was one finding, which is listed in the Schedule of Findings following this Overview, for Grays Harbor College.

Brian Sonntag
State Auditor

December 6, 1996

GRAYS HARBOR COLLEGE
Agency No. 648
July 1, 1995 Through June 30, 1996

Schedule Of Findings

1. Grays Harbor College (GHC) Should Establish And Follow Procedures To Reconcile Its Checking Account And Make Adjusting Entries On A Timely Basis

During our review of the GHC bank reconciliation process, we noted that the college does not prepare accurate bank reconciliations or book reconciling adjustments into its general ledger. This condition was previously reported in the 1995 *State of Washington Single Audit Report*, Finding 102.

When we questioned the accuracy of the bank reconciliations we originally reviewed, the college prepared revised reconciliations. The revised reconciliations include correcting entries dating back to October 1994, which have not been booked as of the date of our review. Two of these adjustments were for interest earned in the amounts of \$82,024 and \$16,483.

We also noted that two general ledger cash accounts, which should equal, varied from each other by as much as \$260,586. Although GHC prepares a reconciliation between these two accounts, adjusting entries are not consistent month to month and have not been posted to the general ledger.

The Office of Financial Management *Policies, Regulations, and Procedures* manual Section 2.2.4.1.4.b.(1) states in part.

Accounts maintained in commercial institutions are to be promptly reconciled with agency records on a monthly basis. Adjusting entries, if necessary, are to be promptly prepared and recorded in the agency's records.

Because the college has not properly reconciled its bank account and recorded the necessary adjusting entries, the cash balance in the general ledger is not accurate. Management cannot adequately monitor their current cash position without accurate bank reconciliations.

This condition exists because GHC has not established adequate procedures to ensure a detailed review of the bank reconciliation and has not given priority to making timely adjustments to the general ledger.

We recommend that GHC establish and follow procedures to ensure that the checking account is reconciled correctly and adjusting entries are made on a timely basis.

Auditee's Response

Because the bank reconciliations prepared by the college did not meet OFM requirements, a comprehensive set of reconciliation procedures, that includes both the bank account and the general

ledger cash accounts, has been written and implemented. In addition, we have developed a revised format that will provide consistently prepared reconciliations for the current fiscal year and we are currently completing reconciliations for the prior year in the revised format. This reconstruction process will be completed by the end of February 1997. All of the dollar amounts identified in the finding were included as part of the Opening Entry Adjustments for FY96 that were not confirmed from SBCTC until the week of your visit. The opening entries were booked into our records in the month of November 1996 and will be reflected in the fiscal year 1996-97 records. All of the other appropriate adjusting entries have been booked into the college's records.

Auditor's Concluding Remarks

We appreciate the action taken by GHC. We will review the bank reconciliations as well as the adjusting entries booked, during our fiscal year 1997 audit.